

**THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013**

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(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013**

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KPMG Al Fozan & Al Sadhan



**INDEPENDENT AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS OF
THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

SCOPE OF REVIEW:

We have reviewed the accompanying statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at March 31, 2013, and the related statements of income - insurance operations and accumulated surplus and cash flows for insurance operations, statements of comprehensive income and cash flows for shareholders' operations and statement of changes in shareholders' equity for the three month period then ended and notes 1 to 14 which form an integral part of these condensed interim financial statements. These condensed interim financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Limited Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying condensed interim financial statements for them to be in conformity with IAS 34.

EMPHASIS OF MATTER:

We draw attention to the fact that these condensed interim financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

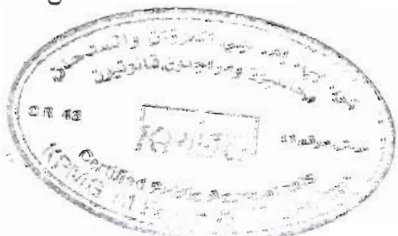
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April 20, 2013



THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION

	Notes	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
		SR '000	
<u>ASSETS - INSURANCE OPERATIONS</u>			
Property and equipment, net		237,820	235,787
Investment property		9,861	9,861
Investments in associates		100,560	105,487
Available for sale investments	4(i)	1,762,714	1,702,569
Prepaid expenses and other assets		288,744	284,534
Deferred policy acquisition costs		177,490	179,493
Reinsurers' share of outstanding claims, net	5	806,007	598,050
Reinsurers' share of unearned premium		415,255	524,777
Receivables, net	3	1,446,102	1,863,276
Cash and cash equivalents		620,356	473,239
Total assets - Insurance operations		5,864,909	5,977,073
<u>ASSETS - SHAREHOLDERS</u>			
Due from insurance operations		9,255	35,597
Accrued investment income		5,699	9,536
Investments in associates		59,342	53,790
Available for sale investments	4(ii)	2,040,542	1,944,067
Statutory deposit	8	75,000	75,000
Cash and cash equivalents		12,307	122,781
Total assets - Shareholders		2,202,145	2,240,771
TOTAL ASSETS		8,067,054	8,217,844

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
		SR '000	
<u>LIABILITIES AND SURPLUS</u>			
<u>- INSURANCE OPERATIONS</u>			
Liabilities - Insurance operations:			
Surplus distribution payable		26,191	27,201
Due to shareholders' operations		9,255	35,597
Accrued expenses and other liabilities		1,254,754	1,241,171
Reserve for takaful activities		13,870	13,730
Reserve for discontinued operations		11,401	11,402
Outstanding claims	5	1,522,448	1,161,282
Unearned commission income		63,908	68,751
Unearned premiums		2,764,199	2,969,711
Reinsurers' balances payable		141,075	381,591
Total liabilities - Insurance operations		5,807,101	5,910,436
Surplus - Insurance operations:			
Fair value reserve on investments		57,808	66,637
Total liabilities and surplus - Insurance operations		5,864,909	5,977,073
<u>LIABILITIES AND EQUITY - SHAREHOLDERS</u>			
Liabilities - Shareholders:			
Accrued expenses and other liabilities		913	858
Dividends payable		5,348	5,368
Zakat		99,384	91,607
Total liabilities - Shareholders		105,645	97,833
Shareholders' equity:			
Share capital	6	750,000	750,000
Legal reserve	9	651,756	651,756
Fair value reserve on investments		220,393	198,418
Retained earnings		474,351	542,764
Total Shareholders' equity		2,096,500	2,142,938
Total Shareholders' liabilities and equity		2,202,145	2,240,771
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		8,067,054	8,217,844

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF INCOME - INSURANCE OPERATIONS AND ACCUMULATED
SURPLUS (UNAUDITED)

	Three months ended March 31, 2013	Three months ended March 31, 2012
	SR '000	
REVENUES		
Gross premiums written	1,211,259	1,079,206
Less: Reinsurance ceded	(175,078)	(204,179)
Net premiums written	1,036,181	875,027
Changes in unearned premiums	95,990	52,076
Net premiums earned	1,132,171	927,103
Reinsurance commissions	33,014	34,773
Investment income, net	38,396	22,112
Other income, net	2,994	98
Total revenues	1,206,575	984,086
COSTS AND EXPENSES		
Gross claims paid	1,186,520	793,814
Less: Reinsurance share	(256,684)	(105,590)
Net claims paid	929,836	688,224
Changes in outstanding claims	153,209	96,685
Net claims incurred	1,083,045	784,909
Policy acquisition costs	104,866	92,976
Excess of loss expenses	26,900	12,492
Changes in reserves for takaful activities	140	423
Other underwriting expenses	18,258	20,886
Operating and selling expenses	74,412	49,126
Other general and administrative expenses	9,337	17,390
Total costs and expenses	1,316,958	978,202
(Deficit) / surplus from insurance operations	(110,383)	5,884
Shareholders' appropriation from (deficit) / surplus	110,383	(5,296)
Surplus from insurance operations after shareholders' appropriation	-	588
Accumulated surplus, beginning of period	-	-
ACCUMULATED SURPLUS, END OF THE PERIOD	-	588

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' (UNAUDITED)

	Three months ended March 31, 2013	Three months ended March 31, 2012
	SR '000	
Appropriation of (deficit) / surplus from insurance operations	(110,383)	5,296
Investment income, net	49,297	56,983
Other income / (expenses), net	450	(258)
(Loss) / income from operations before zakat	(60,636)	62,021
Zakat	(7,777)	(9,298)
Net (loss) / income for the period	(68,413)	52,723
Other comprehensive income:		
Change in fair value of investments	21,975	34,773
Comprehensive income for the period	(46,438)	87,496
(Loss) / earnings per share:		
Basic and diluted (loss) / earnings per share (SR)	(0.91)	0.70
Weighted average number of shares in issue	75,000,000	75,000,000

6 & 13

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

	Share capital	Legal reserve	Fair value reserve on investments SR '000	Retained earnings	Total
Balance at January 1, 2012	750,000	587,812	160,159	550,887	2,048,858
Dividends	-	-	-	(262,500)	(262,500)
Board of Directors' remuneration	-	-	-	(1,400)	(1,400)
Net income for the period	-	-	-	52,723	52,723
Other comprehensive income for the period	-	-	34,773	-	34,773
Balance at March 31, 2012	750,000	587,812	194,932	339,710	1,872,454
Balance at January 1, 2013	750,000	651,756	198,418	542,764	2,142,938
Net loss for the period	-	-	-	(68,413)	(68,413)
Other comprehensive income for the period	-	-	21,975	-	21,975
Balance at March 31, 2013	750,000	651,756	220,393	474,351	2,096,500

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS (UNAUDITED)

	Three months ended March 31, 2013	Three months ended March 31, 2012
	SR '000	
Cash flows from operating activities:		
Surplus from insurance operations after shareholders' appropriation	-	588
Adjustments to reconcile surplus from insurance operations to net cash from operating activities:		
Shareholders' appropriation from (deficit) / surplus	(110,383)	5,296
Depreciation	3,474	3,911
Impairment charges for investments	-	(11,095)
Gain on sale of investments	(28,942)	-
Share of profit from investments in associates, net	(2,475)	(2,572)
Operating deficit before changes in operating assets and liabilities	(138,326)	(3,872)
Changes in operating assets and liabilities:		
Receivables, net	417,174	155,133
Reinsurers' share of outstanding claims	(207,957)	395
Reinsurers' share of unearned premiums	109,522	127,961
Deferred policy acquisition costs	2,003	8,736
Prepaid expenses and others assets	(4,210)	(60,932)
Reinsurers' balances payable	(240,516)	(75,757)
Unearned premium income	(205,512)	(180,037)
Unearned commission income	(4,843)	558
Outstanding claims	361,166	96,290
Reserve for discontinued operations	(1)	3,035
Reserve for takaful activities	140	423
Accrued expenses and other liabilities	13,583	36,392
Due to shareholders'	84,041	31,842
Net cash from operating activities	186,264	140,167
Cash flows from investing activities:		
Proceeds from sale and matured investments	320,900	105,674
Purchase of investments	(362,530)	(141,444)
Property and equipment, net	(5,507)	(25,754)
Dividends received from investments in associates	9,000	9,000
Net cash used in investing activities	(38,137)	(52,524)
Cash flows from financing activities		
Surplus paid to policyholders	(1,010)	(731)
Net cash used in financing activities	(1,010)	(731)
Net change in cash and cash equivalents	147,117	86,912
Cash and cash equivalents, beginning of period	473,239	143,231
Cash and cash equivalents, end of period	620,356	230,143
Non-cash supplemental information:		
Change in fair value of investments	(8,829)	37,659

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - SHAREHOLDERS (UNAUDITED)

	Three months ended March 31, 2013	Three months ended March 31, 2012
	SR '000	
Cash flows from operating activities:		
Net (loss) / income for the period	(68,413)	52,723
Adjustments to reconcile net income to net cash provided by operating activities:		
Appropriation of (deficit) / surplus from insurance operations	110,383	(5,296)
Gain on sale of investments	(34,023)	(47,331)
Share of profit from investments in associates, net	(3,687)	(3,532)
Operating income / (loss) before changes in operating assets and liabilities	4,260	(3,436)
Changes in operating assets and liabilities:		
Accrued investment income	3,837	(7,683)
Due from insurance operations	(84,041)	(31,842)
Accrued expenses and other liabilities	55	57
Zakat	7,777	9,298
Net cash used in operating activities	(68,112)	(33,606)
Cash flows from investing activities:		
Proceeds from sale and matured investments	408,215	564,873
Purchase of investments	(450,557)	(376,479)
Dividends received from investment in associates	-	7,455
Net cash (used in) generated from investing activities	(42,342)	195,849
Cash flows from financing activities:		
Dividends paid	(20)	(261,315)
Board of Directors' remuneration	-	(1,400)
Net cash used in financing activities	(20)	(262,715)
Net change in cash and cash equivalents	(110,474)	(100,472)
Cash and cash equivalents, beginning of period	122,781	110,524
Cash and cash equivalents, end of period	12,307	10,052
Non-cash supplemental information:		
Change in fair value of investments	21,975	34,773

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013 (UNAUDITED)

1. GENERAL

The Company for Cooperative Insurance (the "Company") is a Saudi joint stock company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986 corresponding to Jumad Awal 8, 1406H under Commercial Registration No. 1010061695. The Company's head office is located on King Fahad Road, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, takaful and casualty insurance.

On July 31, 2003 corresponding to Jumad Thani 2, 1424H the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On December 1, 2004 corresponding to Shawwal 18, 1425H, the Saudi Arabian Monetary Agency ("SAMA") as the principal agency responsible for the application and administration of the Insurance Law and its implementing regulations, granted the Company a license to transact insurance activities in Saudi Arabia.

The Company conducts the business and advances funds to the insurance operations as required. On January 20, 2004 the Company amended its Articles of Association giving authority to the Board of Directors to determine the disposition of the surplus from insurance operations.

On March 20, 2004, the Board of Directors approved the disposition of the surplus from insurance operations in accordance with the implementing regulations issued by the SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%.

2. BASIS OF PREPARATION

(a) Basis of presentation

The condensed interim financial statements for the three months period ended March 31, 2013 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

The condensed interim financial statements are prepared under the going concern basis and the historical cost convention except for the measurement at fair value of available for sale investments.

The Company's Articles of Association require that separate accounts be maintained for Insurance and Shareholders' operations. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013 (UNAUDITED)

2. BASIS OF PREPARATION (continued)

(b) Critical accounting judgments, estimates and assumptions

The preparation of the condensed interim financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimate and judgments used by management in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2012.

(c) Significant accounting policies

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2012, except for the adoption of the following new standards and other amendments to existing standards mentioned below which has had an insignificant effect / no financial impact on the condensed interim financial statements of the Company on the current period or prior period and is expected to have an insignificant effect in future periods:

i) New standards

IFRS 13 Fair value measurements: Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. As a result, the Company has adopted a new definition of fair value, as set out in Note 11. However, IFRS 13 had no impact on the measurement of Company's assets and liabilities. The Company has included new disclosures in the financial statements which are required under IFRS 13.

ii) Amendments to existing standards

- Amendments to IAS 1 Presentation of financial statements: amends IAS 1 to revise the way other comprehensive income is presented.
- Amendments to IFRS 7 Financial Instruments: Disclosure: Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.

THE COMPANY FOR COOPERATIVE INSURANCE
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013 (UNAUDITED)

2. BASIS OF PREPARATION (continued)

(c) Significant accounting policies (continued)

These condensed interim financial statements for the three month period ended March 31, 2013 should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2012. In management's opinion, the condensed interim financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the three month period presented.

(d) Segmental reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has three reportable segments as follows:

- Medical - coverage for health insurance.
- Motor insurance.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.

Operating segments do not include shareholders' operations of the Company.

Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the condensed interim financial statements.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the condensed interim financial statements of the Company.

(e) Seasonality of operations

There are no seasonal changes that affect insurance operations.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013 (UNAUDITED)

3. RECEIVABLES, NET

Receivables of insurance operations are comprised of net amounts due from the following:

	March 31	December
	2013	31, 2012
	SR'000	SR'000
	(Unaudited)	(Audited)
Policyholders'	1,193,968	1,579,286
Agents	244,121	275,178
Related party (Note 10)	14,344	2,258
	1,452,433	1,856,722
Receivable from reinsurers'	92,607	85,597
Administrative Service Plan	25,441	24,184
	1,570,481	1,966,503
Provision for doubtful receivables	(124,379)	(103,227)
Net receivables	1,446,102	1,863,276

4. INVESTMENTS

i) Insurance operations:

Available for sale investments of the insurance operations are comprised of following:

	March 31,	December 31,
	2013	2012
	SR'000	SR'000
	(Unaudited)	(Audited)
Local / regional money market and fixed income investments	1,551,963	1,409,674
Local / regional equity and equity funds	133,543	220,249
Foreign equity and equity funds	77,208	72,646
Total	1,762,714	1,702,569

ii) Shareholders:

Shareholders' available for sale investments are comprised of the following:

	March 31, 2013	December 31,
	SR'000	2012
	(Unaudited)	SR'000
		(Audited)
Local / regional money market and fixed income investments	960,803	884,256
Local / regional equity and equity funds	229,231	213,008
Foreign money market and fixed income investments	468,761	329,116
Foreign equity and equity funds	381,747	517,687
Total	2,040,542	1,944,067

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013 (UNAUDITED)

5. OUTSTANDING CLAIMS, NET

Outstanding claims, net are comprised of the following:

	March 31, 2013 SR'000 (Unaudited)	December 31, 2012 SR'000 (Audited)
Gross outstanding claims	1,263,975	982,033
Less: realizable value of salvage and subrogation	(131,355)	(164,857)
Add: IBNR	389,828	344,106
Outstanding claims	1,522,448	1,161,282
Less: reinsurers' share of outstanding claims, net	(806,007)	(598,050)
Net outstanding claims	716,441	563,232

6. SHARE CAPITAL

The authorized, issued and paid up capital of the Company is SR 750 million at March 31, 2013 (2012: SR 750 million) consisting of 75 million shares of SR 10 each (2012: 75 million shares).

7. CONTINGENT LIABILITIES

As at March 31, 2013, the Company was contingently liable for letters of credit and guarantees amounting to SR 146 million (December 31, 2012 - SR 144 million) occurring in the normal course of business.

8. STATUTORY DEPOSIT

In compliance with Article 58 of the Insurance Implementing Regulations of the SAMA, the Company has deposited 10 percent of its Share capital, amounting to SR 75 million in a bank designated by SAMA. The statutory deposit is maintained with National Commercial Bank and can be withdrawn only with the consent of SAMA.

9. LEGAL RESERVE

In accordance with the Articles of Association and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations of SAMA, the Company allocates 20% of its net income each year to the legal reserve until it has built up a reserve equal to the capital. The legal reserve is not available for distribution to shareholders until liquidation of the Company.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013 (UNAUDITED)

10. RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of the major related party transactions during the period and the related balances:

	Transactions for the three months period ended		Balance receivable / (payable) as at	
	March 31, 2013 SR'000 (Unaudited) SR'000	March 31, 2012 SR'000 (Unaudited) SR'000	March 31, 2013 SR'000 (Unaudited) SR'000	December 31, 2012 SR'000 (Audited) SR'000
<u>Major shareholders</u>				
Amount of claims paid to hospitals	14,454	12,371	(2,759)	(2,497)
Medical insurance premiums	7,433	6,914	9,474	2,015
Rent expenses	792	-	(63)	(855)
Stationery	494	428	46	-
<u>Associates</u>				
Insurance premiums	950	184	(14,440)	243
Rent expenses	1,722	6,149	4,824	-

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration up to 10% of the remaining profit from shareholders' operations, as defined, based on a decision by the General Assembly. Such remuneration is reflected in the statement of changes in shareholders' equity when approved by the General Assembly.

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. Consequently, differences can arise between the carrying values and fair value estimates. The Company's financial assets consist of cash and cash equivalents, receivables, other assets, investments, statutory deposits and accrued income and its financial liabilities consist of outstanding claims, reinsurance balance payable and accrued expenses and other liabilities.

The fair values of financial assets that are traded in active market are based on quoted market prices or dealer price quotations. For all other financial instruments the fair value is based on other valuation techniques. These are not materially different from their carrying values at the financial position date.

THE COMPANY FOR COOPERATIVE INSURANCE
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013 (UNAUDITED)

11. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The fair value of derivatives held by the Company as of March 31, 2013 and December 31, 2012 is immaterial to the Company's financial statements.

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy method for determining and disclosing the fair value of financial instruments at the reporting period end.

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses the financial instruments measured at fair value at the end of the reporting period March 31, 2013 and December 31, 2012 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	(SR'000)			
	Level 1	Level 2	Level 3	Total
March 31, 2013				
Available for sale financial assets				
- Policyholders	1,272,089	-	490,625	1,762,714
- Shareholders	1,755,144	-	285,398	2,040,542
Total	3,027,233	-	776,023	3,803,256
December 31, 2012				
Available for sale financial assets				
- Policyholders	1,361,944	-	340,625	1,702,569
- Shareholders	1,662,012	-	282,055	1,944,067
Total	3,023,956	-	622,680	3,646,636

There were no transfers between the level of fair value hierarchies during the period.

Level 3 investments comprise investment in Private Equity Funds and Debt Instruments. The fair value of Private Equity Funds computed is based on the funds latest reported net assets as at the financial position date. Further, the Debt Instruments are carried at an amount which as per the management is the best estimate of the exit price i.e. fair value.

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11. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy

(SR'000)

March 31, 2013	Balance January 1	Purchases	Sales	Total gain or loss		Balance March 31
				in profit or loss	in other comprehensive income	
Policyholders	340,625	150,000	-	-	-	490,625
Shareholders	282,055	5,412	(7,207)	1,089	4,049	285,398
Total	622,680	155,412	(7,207)	1,089	4,049	776,023
December 31, 2012						
Policyholders	375,300	66,000	(107,715)	7,715	(675)	340,625
Shareholders	287,726	89,770	(118,251)	5,937	16,873	282,055
Total	663,026	155,770	(225,966)	13,652	16,198	622,680

12. OPERATING SEGMENTS

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, receivables, net and cash and cash equivalents. Accordingly they are included in unallocated assets. Segment liabilities do not include due to shareholders' operations, reinsurance balances payable, accrued expenses and other liabilities. Accordingly they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premium receivable and depreciation on the property and equipments) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

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12. OPERATING SEGMENTS (continued)

Operating Segments	For the three month period ended March 31, 2013			
	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written:				
Compulsory	706,989	-	-	-
Non- Compulsory	47,551	-	-	-
Total Gross premiums written	<u>754,540</u>	<u>306,240</u>	<u>150,479</u>	<u>1,211,259</u>
Net premiums written	<u>711,389</u>	<u>283,517</u>	<u>41,275</u>	<u>1,036,181</u>
Net premiums earned	824,568	272,082	35,521	1,132,171
Reinsurance commissions	(974)	5,335	28,653	33,014
Net claims incurred	(792,012)	(277,380)	(13,653)	(1,083,045)
Policy acquisition costs	(48,931)	(43,521)	(12,414)	(104,866)
Excess of loss expenses	(7,309)	(11,046)	(8,545)	(26,900)
Changes in reserve for Takaful activities	(140)	-	-	(140)
Other underwriting expenses	(13,400)	(2,693)	(2,165)	(18,258)
General, administrative, selling and marketing expenses	<u>(51,684)</u>	<u>(18,621)</u>	<u>(13,444)</u>	<u>(83,749)</u>
(Loss) / profit from Insurance Operations	<u>(89,882)</u>	<u>(75,844)</u>	<u>13,953</u>	<u>(151,773)</u>
Investment income, net				38,396
Other income, net				2,994
Deficit from Insurance Operations				<u>(110,383)</u>

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12. OPERATING SEGMENTS (continued)

Operating Segments	For the three month period ended March 31, 2012			
	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written				
Compulsory	604,959	-	-	-
Non- Compulsory	56,081	-	-	-
Total Gross premiums written	661,040	280,635	137,531	1,079,206
Net premiums written	575,751	263,703	35,573	875,027
Net premiums earned	591,604	288,626	46,873	927,103
Reinsurance commissions	4,024	4,689	26,060	34,773
Net claims incurred	(596,032)	(178,429)	(10,448)	(784,909)
Policy acquisition cost	(36,652)	(42,926)	(13,398)	(92,976)
Excess of loss expenses	(7,838)	(1,634)	(3,020)	(12,492)
Changes in reserve for Takaful activities	(423)	-	-	(423)
Other underwriting expenses	(15,504)	(2,303)	(3,079)	(20,886)
General, administrative, selling and marketing expenses	(33,976)	(18,377)	(14,163)	(66,516)
(Loss) / profit from Insurance Operations	(94,797)	49,646	28,825	(16,326)
Investment income, net				22,112
Other income, net				98
Surplus from Insurance Operations				5,884

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
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12. OPERATING SEGMENTS (continued)

	As at March 31, 2013 (Unaudited)			
	Medical	Motor	Property & casualty	Total
	SR '000			
Assets - Insurance operations				
Reinsurers' share of unearned premium	91,844	42,762	280,649	415,255
Reinsurers' share of outstanding claims, net	12,048	15,271	778,688	806,007
Deferred policy acquisition cost	68,012	87,629	21,849	177,490
Investments				1,873,135
Receivables, net				1,446,102
Unallocated assets				1,146,920
Total assets				5,864,909
Liabilities and surplus - Insurance operations				
Unearned premium income	1,793,803	576,965	393,431	2,764,199
Outstanding claims	588,047	54,829	879,572	1,522,448
Unearned commission income	6,812	11,282	45,814	63,908
Reserve for Takaful activities	13,870	-	-	13,870
Unallocated liabilities and surplus				1,500,484
Total liabilities and surplus				5,864,909

	As at December 31, 2012 (Audited)			
	Medical	Motor	Property & casualty	Total
	SR '000			
Assets - Insurance operations				
Reinsurers' share of unearned premium	132,158	37,475	355,144	524,777
Reinsurers' share of outstanding claims, net	10,671	13,237	574,142	598,050
Deferred policy acquisition cost	71,560	83,984	23,949	179,493
Investments				1,817,917
Receivables, net				1,863,276
Unallocated assets				993,560
Total assets				5,977,073
Liabilities and surplus - Insurance operations				
Unearned premium income	1,947,081	560,458	462,172	2,969,711
Outstanding claims	471,118	19,795	670,369	1,161,282
Unearned commission income	8,602	10,939	49,210	68,751
Reserve for Takaful activities	13,730	-	-	13,730
Unallocated liabilities and surplus				1,763,599
Total liabilities and surplus				5,977,073

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
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13. EARNINGS PER SHARE

Earnings per share has been calculated by dividing the net loss / income for the periods ended March 31, 2013 and 2012 by 75 million shares.

14. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been approved by the Board of Directors on Jumada' II 10, 1434H, corresponding to April 20, 2013.